

# Savannah River Operations Office

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## The Federal Budget Process

By

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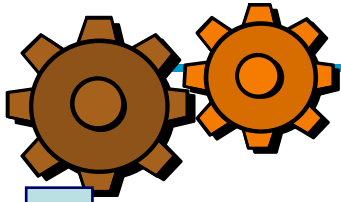
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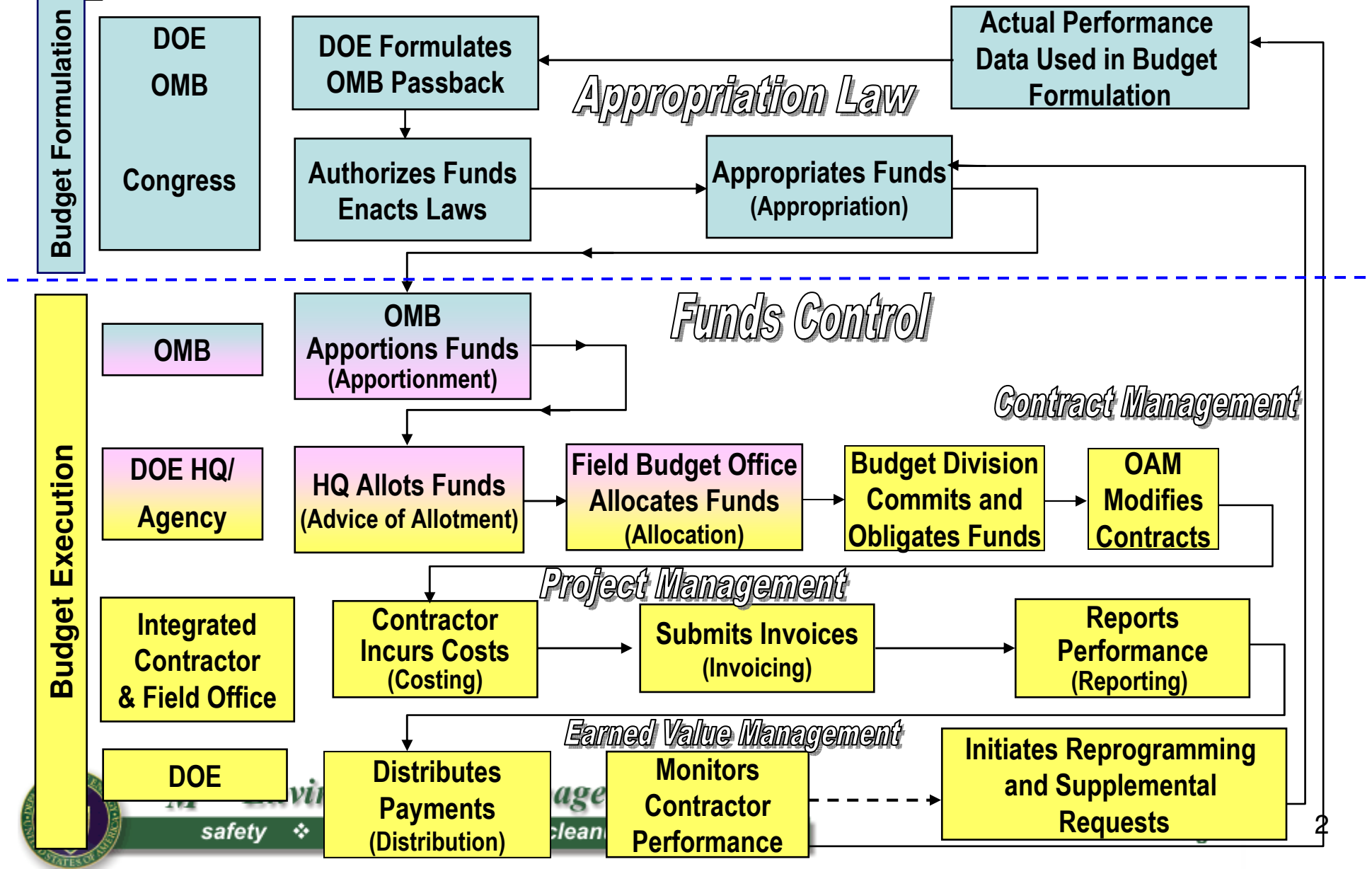
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## The Federal Budget Process

# Integrated View of the Budget Process



## Major Players and Functions

<b><u>Players</u></b>	<b><u>Functions Performed</u></b>
<b>Congress</b>	<b>Authorizes/ appropriates funds to DOE</b>
<b>OMB</b>	<b>Apportions funds to DOE</b>
<b>HQ Program Offices</b>	<b>Issues program guidance and determines funding allocations</b>
<b>DOE HQ CFO</b>	<b>Allots funds to the field</b>
<b>DOE Field</b>	<b>Obligates funds to contractors</b>
<b>Contractors</b>	<b>Execute the plan—incur costs and report status of funds to DOE</b>
<b>DOE Field/HQ and GAO</b>	<b>Monitor contractors' cost performance</b>
<b>DOE Headquarters</b>	<b>Consolidates accounting data and reports monthly to Treasury and OMB</b>



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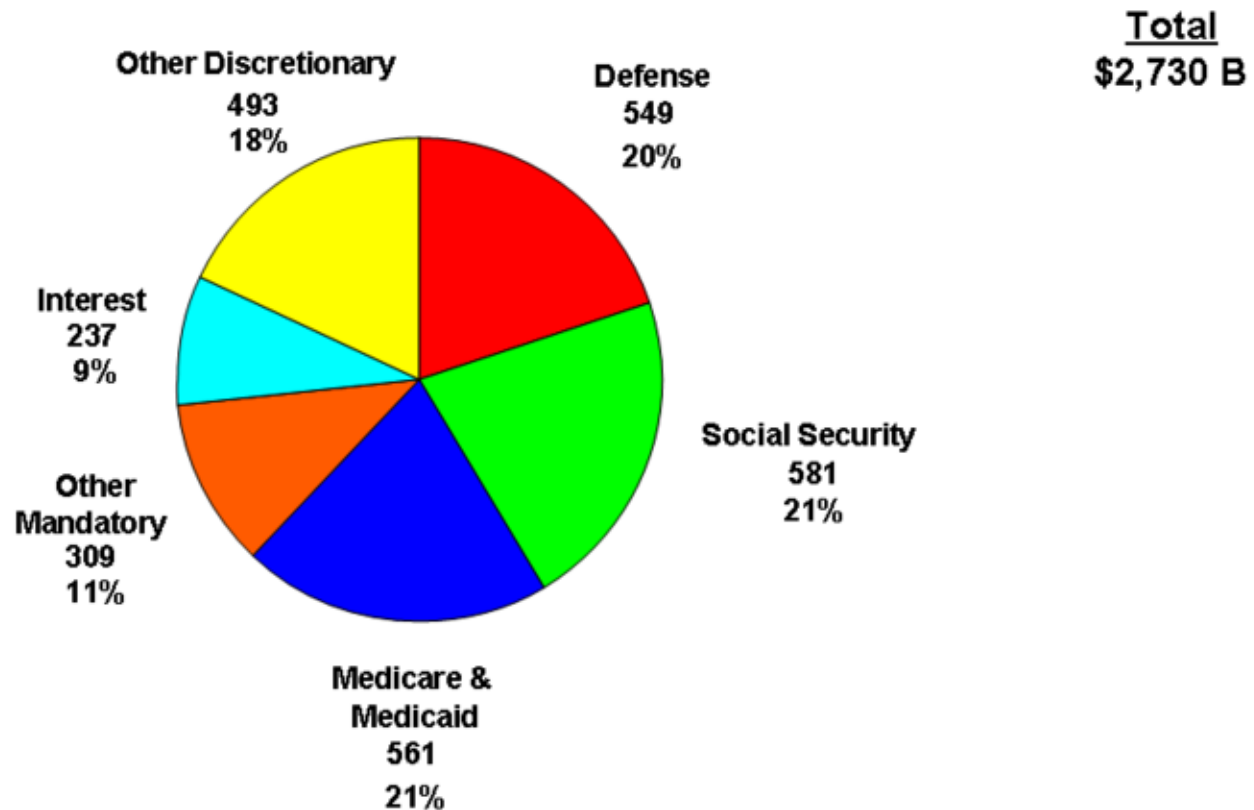
# Introduction to the Federal Budget Process

- The way in which Congress develops tax and spending legislation is guided by a set of specific procedures laid out in the Congressional Budget Act of 1974. The centerpiece of the Budget Act is the requirement that Congress each year develop a “budget resolution” setting overarching limits on spending and on tax cuts. These limits apply to legislation developed by individual congressional committees as well as to any amendments offered to such legislation on the House or Senate floor. The federal budget process includes:
  - The **President’s Budget Request (PBR)**, which kicks off the budget process each year;
  - The **congressional budget resolution** — how it is developed and what it contains;
  - How the terms of **budget resolution enforcement** are used by the House and Senate; and
  - Budget “**reconciliation**,” a special procedure used in some years to facilitate the passage of spending and tax legislation.



# Introduction to the Federal Budget Process

## U.S. Federal Spending – Fiscal Year 2007 (\$ Billion)



Source: Budget of the United States Government FY 2009

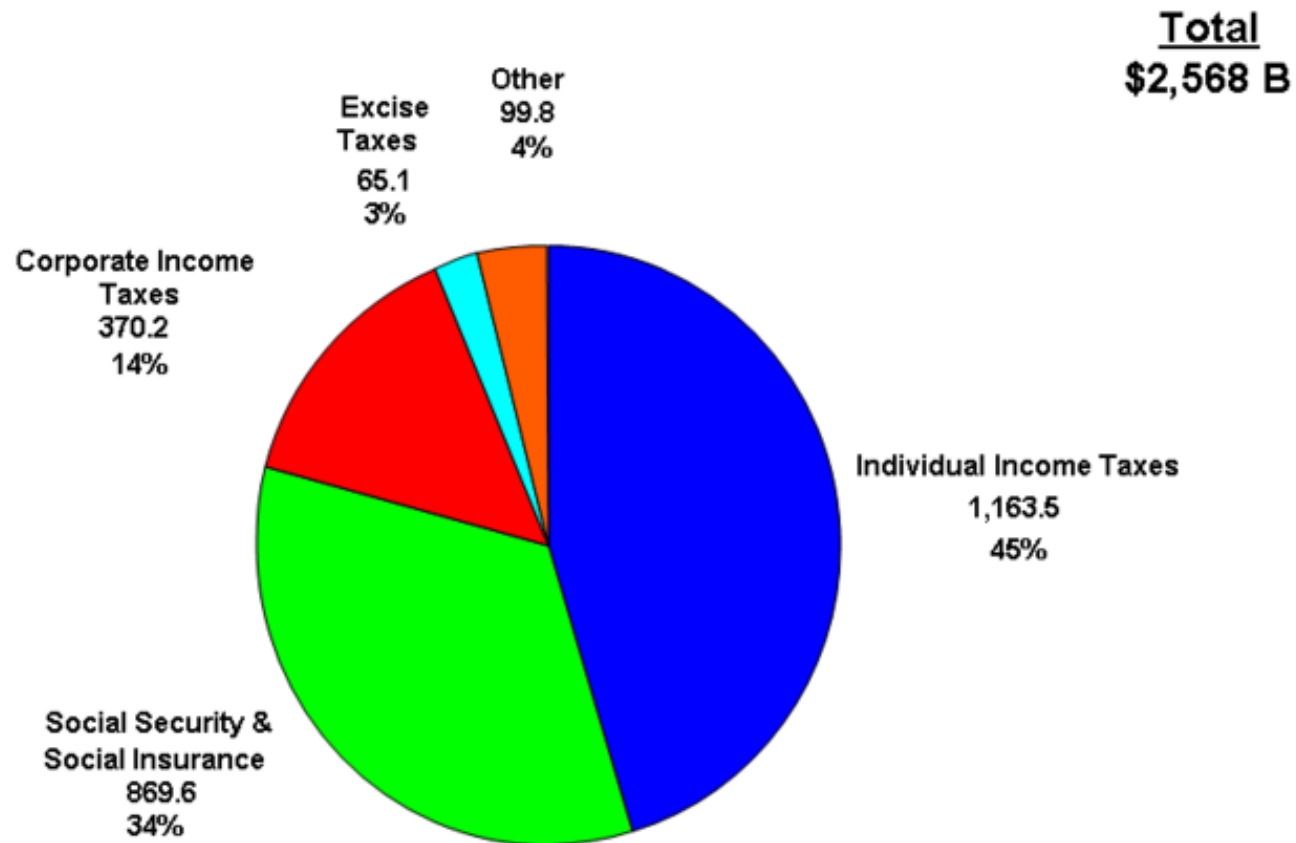
## The President's Budget Request

- On or before the **first Monday in February**, the President submits to Congress a detailed budget request for the coming federal fiscal year, which begins on October 1. This budget request, developed by the President's Office of Management and Budget (OMB), plays three important roles.
- First, it tells Congress what the President believes overall federal fiscal policy should be, as established by three main components: (1) how much money the federal government should spend on public purposes; (2) how much it should take in as tax revenues; and (3) how much of a deficit (or surplus) the federal government should run, which is simply the difference between (1) and (2).
- Second, the budget request lays out the President's relative priorities for federal programs — how much he believes should be spent on defense, agriculture, education, health, and so on. The President's Budget Request (PBR) is very specific, and recommends funding levels for individual federal programs or small groups of programs called “budget accounts.” The budget typically sketches out fiscal policy and budget priorities not only for the coming year but for the next five years or more. It is also accompanied by historical tables that set out past budget figures.



# Introduction to the Federal Budget Process

## U.S. Federal Receipts – Fiscal Year 2007 (\$ Billions)



Source: *Budget of the United States Government, FY 2009*



## The President's Budget Request

- The third role that the President's budget plays is to signal to Congress what spending and tax policy changes the President recommends. The President does not need to propose legislative change for those parts of the budget that are governed by permanent law if he feels none is necessary. Nearly all of the federal tax code is set in permanent law, and will not expire. Similarly, more than one-half of federal spending — including the three largest entitlement programs (Medicare, Medicaid, and Social Security) — is also permanently enacted. Interest paid on the national debt is also paid automatically, with no need for specific legislation.
- **Debt Ceiling** - limits how much the Treasury can borrow. The debt ceiling is periodically raised through separate legislation.





## The President's Budget: Total Spending

- The President's actual budget for 2007 totals \$2.8 trillion. Percentages in parentheses indicate percentage change compared to 2006.
- \$586.1 billion (+7.0%) - Social Security
- \$548.8 billion (+9.0%) - Defense
- \$394.5 billion (+12.4%) - Medicare
- \$294.0 billion (+2.0%) - Unemployment and welfare
- \$276.4 billion (+2.9%) - Medicaid and other health related
- \$243.7 billion (+13.4%) - Interest on debt
- \$89.9 billion (+1.3%) - Education and training
- \$76.9 billion (+8.1%) - Transportation
- \$72.6 billion (+5.8%) - Veterans' benefits
- \$43.5 billion (+9.2%) - Administration of justice
- \$33.1 billion (+5.7%) - Natural resources and environment
- \$32.5 billion (+15.4%) - Foreign affairs
- \$27.0 billion (+3.7%) - Agriculture
- \$26.8 billion (+28.7%) - Community and regional development
- \$25.0 billion (+4.0%) - Science and technology
- \$23.5 billion (+0.8%) - Energy
- \$20.1 billion (+11.4%) - General government



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## The President's budget can also include:

- **Changes to “mandatory” or “entitlement” programs**, such as Social Security, Medicare, Medicaid, and certain other programs (including but not limited to food stamps, federal civilian and military retirement benefits, veterans' disability benefits, and unemployment insurance) that are not controlled by annual appropriations. For example, when the President proposed adding a prescription drug benefit to Medicare, he had to show a corresponding increase in Medicare costs in his budget, relative to what Medicare would otherwise be projected to cost. Similarly, if the President proposes a reduction in Medicaid payments to states, his budget would show lower Medicaid costs than projected under current law.
- **Changes to the tax code.** Any presidential proposal to increase or decrease taxes should be reflected in a change in the amount of federal revenue that his budget expected to be collected the next year or in future years, relative to what would otherwise be collected.
- **Summary:** The President's budget must request a specific funding level for appropriated programs and may also request changes in tax and entitlement law.



U.S. Congress

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# The Congressional Budget Resolution

- After receiving the PBR, Congress holds hearings to question Administration officials about their requests and then develops its own budget resolution. This work is done by the House and Senate Budget Committees, whose primary function is to draft the budget resolution. Once the committees are done, the budget resolution goes to the House and Senate floor, where it can be amended by a majority vote. It then goes to a House-Senate conference to resolve any differences, and a conference report is passed by both houses.
- The budget resolution is a “concurrent” congressional resolution, not an ordinary bill, and therefore does not go to the President for his signature or veto. It also requires only a majority vote to pass, and is one of the few pieces of legislation that cannot be filibustered in the Senate.
- The **budget resolution is supposed to be passed by April 15**, but it often takes longer. Occasionally, Congress does not pass a budget resolution. If that happens, the previous year’s resolution, which is a multi-year plan, stays in effect.



Senate Office Building



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## What is in the budget resolution?

- Unlike the President's budget, which is very detailed, the congressional budget resolution is a very simple document. It consists of a set of numbers stating how much Congress is supposed to spend in each of 19 broad spending categories (known as budget "functions") and how much total revenue the government will collect, for each of the next five or more years. (The Congressional Budget Act requires that the resolution cover a minimum of five years, but Congress sometimes chooses to develop a 10-year budget.) The difference between the two totals — the spending ceiling and the revenue floor — represents the deficit (or surplus) expected for each year.



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## How spending is defined: budget authority vs. outlays.

- The spending totals in the budget resolution are stated in two different ways: the total amount of “budget authority” that is to be provided, and the estimated level of **expenditures**, or “**outlays**.” Budget authority is how much money Congress allows a federal agency to commit to spend; outlays are how much money actually flows out of the federal treasury in a given year.
- Budget authority and outlays thus serve different purposes. Budget authority represents a limit on how much funding Congress will provide, and is generally what Congress focuses on in making most budgetary decisions. Outlays, because they represent actual cash flow, help determine the size of the overall deficit or surplus.



## How committee spending limits get set: 302(a) allocations

- The **U.S. Senate Committee on Appropriations** is a standing committee of the U.S. Senate. It has jurisdiction over all discretionary spending legislation in the Senate.
- The Senate Appropriations Committee is the largest committee in the U.S. Senate, consisting of 29 members. Its role is defined by the U.S. Constitution, which requires "appropriations made by law" prior to the expenditure of any money from the Treasury, and is therefore one of the most powerful committees in the Senate.
- The committee was first organized on March 6, 1867, when power over appropriations was taken out of the hands of the Finance Committee.
- The chairman of the Appropriations Committee has enormous power to bring home special projects for his or her state as well as having the final say on other Senator's appropriation requests.



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## “Pay-As-You-Go” or “PAYGO” Rule

- Independent of the Congressional Budget Act, the House and Senate each have a rule requiring that all entitlement increases and tax cuts be fully offset. Does not apply to discretionary spending.
- If legislation providing for new tax cuts or entitlement increases is not paid for, the “PAYGO” rule gives any Senator the power to raise a point of order against the bill, which can only be waived by the vote of 60 Senators.
- A bill that cuts taxes or increases entitlement spending without an offset would violate the PAYGO rule  
In order to satisfy the House and Senate PAYGO rules, a bill must be paid for over the first six years.





## Time Table of the Budget Process

On or Before:	Action to be completed:
First Monday in February	President submits his budget.
15-Feb	Congressional Budget Office submits report to Budget Committees.
Not later than 6 weeks after the President submits the budget.	Committees submit views and estimates to Budget Committees. (Frequently, the House Budget Committee sets own date based on Legislative Calendar)
1-Apr	Senate Budget Committee reports concurrent resolution on the budget.
15-Apr	Congress completes action on the concurrent resolution on the budget. (This is not signed by the President).*
15-May	Annual appropriation bills may be considered in House.
10-Jun	House Appropriations Committee reports last annual appropriation bill.
15-Jun	Congress completes action on reconciliation legislation. (If required by the budget resolution).
30-Jun	House completes action on annual appropriation bills.
1-Oct	Fiscal year begins.





## 5 STAGES OF THE CONGRESSIONAL BUDGET PROCESS

- **1. The President's Budget Submission.** The President submits a comprehensive budget request to Congress in early February which outlines the Administration's policy and funding priorities and the economic outlook for the coming fiscal year. This budget, which estimates spending, revenue and borrowing levels, is compiled by OMB from input by the various federal agencies, with funding broken down into 20 budget function categories.
- **2. Adoption of the Budget Resolution.** House and Senate Committees hold hearings on the President's budget and the Budget Committees report a concurrent resolution on the budget that sets each committee's allocation of spending authority for the next fiscal year and aggregate spending and revenue levels for 5 years. The budget resolution also establishes aggregate totals with respect to revenues and spending for the entire federal budget. This resolution, once adopted, is not law, as it is not signed by the President. The allocations, enforceable through points of order, establish the framework to consider spending and revenue bills on the House and Senate floor.



## 5 STAGES OF THE CONGRESSIONAL BUDGET PROCESS

- **3. Passage of Appropriation Bills.** In May the House begins consideration of the 13 annual appropriation bills for the next fiscal year based on the discretionary spending allocation in the budget resolution. As these bills move through hearings, markups, Floor consideration, and conference they are constrained by the levels and allocations in the budget resolution and the enforcement of the Budget Act and through House and Senate rules.
- **4. Consideration of Reconciliation Legislation.** If the spending and revenue levels in the budget resolution require changes in existing law, the resolution would contain instructions to committees to report legislation containing such statutory changes. Whether for tax increases or decreases, deficit reduction, mandatory spending increases or decreases or adjustments in the public debt limit, this process has been used to focus many agents on one goal, often in a large bill.
- **5. Consideration of Authorization Legislation.** Congress considers numerous measures authorizing the appropriation of funds on a myriad of programs each fiscal year. This decision-making is constrained by the Budget Act and through House and Senate rules.



## Rerack, Realignment and Reprogramming

- **Rerack:** Racking and stacking the budget formulation spreadsheet numbers to improve the budget previous submitted. Reracking is done in May-July, forwarded to agency for approval and forwarding to OMB.
- **Realignment:** OMB receives rerack in September, reviews and forwards to Congress for approval. The Realignment process re-aligns budget dollars to match the site's Programs'/Projects' work scope more appropriately.
- **Reprogramming:** Resource realignment process within an appropriation account
  - **Informal** approved at agency level. Involves transferring up to \$5M from one PBS to another. Play this card only once per PBS. Process duration is about three months.
  - **Formal** approved by committees of both the House and Senate. Process very laborious at all levels, very time consuming. No limit on dollar amount. Play this card only once. Process duration about six months.



# Appropriations and Apportionments

- **Appropriations:**
  - Acts of Congress, signed into law by the President
  - Provide budget authority, permits Federal agency to incur obligations and spend public funds
- **Apportionments:**
  - A plan approved by OMB to spend resources provided by law
  - Submitted to OMB on SF 132 Apportionment and Re-apportionment Schedule
  - Funds apportioned are made available to DOE for allotment, obligation, and expenditure
  - Process is detailed in DOE M 135.1-1A Budget Execution, and in OMB Circular A-11
- **Accountability:**
  - Forecasts how authority will be obligated and what results are expected
  - Serves as a “Contract” between the Agency and Congress.
  - Measures Performance



# Budget Formulation Process

## Budget Formulation Process:

Key Step	FY 2010 Example	Description
<b>GUIDANCE</b>	Jun-08	OMB tells agency how to do strategic plan and budget request. Overall budget numbers are set.
<b>STRATEGY</b>	Spring - summer 2008	Agency strategic plan development/update. Strategic plan sets framework for broad agency programs.
<b>REQUEST</b>	December 2007 - August 2008	Operating components develop/submit budget request to agency. Actual programs and expenditures start to be planned.
<b>DECISIONS</b>	June - August 2008	Agency develops strategy on how to deal with OMB. Agency has to decide what will sell and its ability to achieve it.
<b>TO OMB</b>	Sep-08	Agency sends budget request to OMB. Agency decisions are documented and price tags attached.
<b>PASSBACK</b>	November, December 2008	OMB recommendations and Presidential decisions to agency. "This is what we can afford," states OMB.
<b>APPEALS</b>	After passback.	Agency works the system; may appeal decisions if they are not to the agency's liking. "This is what the President really wants," states the agency.
<b>TO CONGRESS</b>	Feb-09	The President's Budget request or Congressional submission is sent to Congress. The Executive Branch takes a stand, and asks for money.



# Budget Formulation Process

## Budget Formulation Process (continued):

Key Step	FY 2010 Example	Description
<b>HEARINGS</b>	March/April 2009	House and Senate hold hearings on President's request. Congress asks for additional information; agency prepares it. Congressional appropriators attempt to figure out what is behind President's numbers and words.
<b>Q &amp; As</b>	February - June 2009	Questions from members and staff and agency responses establish a record.
<b>MARKUPS</b>	March - October 2009	House and Senate sub- and full committees discuss and act on the request, incorporating their views on what is worth funding. Agency works the system, attempting to influence outcomes.
<b>VOTES</b>	Sep-09	House and Senate debate and vote in floor action.
<b>THE CR</b>	Sep-09	Continuing Resolution, or stop-gap spending measure, used if time runs out. Otherwise, shutdown.
<b>CONFERENCE</b>	Oct-09	House and Senate meet to negotiate their differences.
<b>ENACTED</b>	October/November 2009	Congress finally makes up its mind, and passes bill. President vetoes or signs bill. Appropriations Act is now law. All negotiations are over at the Presidential level, but operating levels still have room to negotiate.



# Budget Formulation Process

## Budget Execution Process:

Key Step	FY 2010 Example	Description
<b>OP PLAN, expenditure plan</b>	Sep-09	Agency does operating plan, or how it will spend appropriated money. The GPRA annual plan is refined. Changes in programs are made to fit resources made available in the appropriations act, as well as to accommodate expressed Congressional concerns.
<b>ALLOCATE</b>	October - December 2009	Operating components get agency permission to use resources, and parcel them out to operating officials.
<b>ACTION!</b>	October 2009 and following years.	Goods and services are procured and delivered.
<b>AUDITS</b>	Anytime.	GAO and/or the IG may investigate anything related to resources.



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## Congressional Oversight Process:

<b>OVERSIGHT</b>	March/April 2011, and cumulatively every year until three years are covered.	Congressional committees request data, may hold hearings, take the only action they can: By September/October 2011, actions on the FY 2012 request let the agency and operating managers know how well they did, in the eyes of Congress, during FY 2010.
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## Budget Execution – Major Processes

- Obtaining Congressional and **Program Execution Guidance**
- **Distributing and controlling** funds inside control points
  - Approved Funding Program
  - Monthly Advice of Allotment
  - Monthly Financial Allocations Plans (commitments and obligations)
- **Obligating and spending** funds to accomplish mission program objectives
- **Accounting for and reporting** on actual performance data (Earned Value)
- **Monitoring and evaluating** financial execution (spend plans vs cost actuals, cost variance and root cause analysis)



## Administrative Control of Funds

- Title 31, Section 1514, of U.S. Code, Administrative Division of Apportionments requires the Secretary of Energy to prescribe and carry out a system for administratively controlling funds.
- Funds are expended solely for the purposes for which they were appropriated, except as otherwise provided by law.
- Funds are certified as available and committed before obligations.
- Obligations or expenditures are not authorized or incurred in excess of available funds or in excess of any legal or administrative limitations.
- Only valid obligations are recorded in the accounting records, and all obligations incurred are recorded accurately and promptly.
- Outstanding obligations are validated annually.
- Legal Availability of Funds:
  - **Purpose:** What we are authorized to do with appropriated funds.
  - **Time:** Obligation must occur before expiration of obligational availability of appropriation. Annual, Multi-year, and No-year appropriations.
  - **Amount:** Obligations cannot exceed appropriations



## Anti-Deficiency Act

- 31 U.S.C. 1514, ***Administrative Division of Apportionments***: agencies must establish a formal administrative control of funds process
- 31 U.S.C. 1517, ***Prohibited Obligations and Expenditures***: legal violation occurs if appropriations, apportionments, or allotments are exceeded
- 31 U.S.C. 1518, ***Adverse Personnel Actions***: administrative penalties (including termination) accrue if section 1517 is violated — not willfully
- 31 U.S.C. 1519, ***Criminal Penalties***: criminal penalties accrue if violation of section 1517 is willful



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## Application of Funds Process

### 1. **Commitment** (reservation of funds):

An administrative reservation of funds in accounting system to ensure ample funds are available to cover obligational documents to be issued in future

### 2. **Obligation:**

A financial condition that is realized when a legal responsibility is incurred for which the Department must expend funds in future for goods and services that have been contractually ordered or consumed

### 3. **Costs:**

Costs are incurred when outstanding orders have been filled and/or services have been rendered for which payments are pending

### 4. **Outlay or Expenditure:**

The issuance of checks, disbursements of cash, or electronic transfer of funds made to liquidate/satisfy Federal obligations

